Corporate Transparency Act Deadlines Fast Approaching



11/27/2024

The Corporate Transparency Act of 2019 (CTA) was enacted to create a federal database of the beneficial ownership information of certain U.S. corporate entities and provide law enforcement with access to such data for the purpose of detecting, preventing and punishing terrorism, money laundering and other misconduct. Effective January 1, 2024, certain entities (Reporting Companies) are required to file beneficial ownership information reports (BOI Reports) with the FinCEN, a department within the U.S. Department of Treasury. BOI Reports identify who owns or controls certain entities and the applicants who formed or registered these entities. Entities created or registered on or after January 1, 2024, have 90 days (after such creation or registration) to file their initial BOI Reports. Entities created or registered prior to January 1, 2024 have until January 1, 2025 to file their initial BOI Reports. Reporting Companies must file their BOI Reports electronically.

The CTA provides exemptions from BOI Reporting for certain entities including, tax-exempt entities, inactive entities, sole proprietorship not created by filing documentation with a secretary of state and certain “Large Operating Entities.” Large Operating Entities may qualify for exemption if they meet certain key criteria, including: (1) employing more than 20 full time employees in the United States; (2) filing a federal income tax or information return showing more than $5 Million in gross receipts for the previous year; and (3) reporting greater than $5 Million as gross receipts or sales on the entity’s applicable IRS forms. Entities that existed on January 1, 2024, even if they were subsequently dissolved, must still file a BOI Report by December 31, 2024. Additionally, entities that were formed in 2024, but were dissolved before the 90 day filing deadline, must still file a BOI Report even though the filing deadline has not yet passed. The deadline to file remains at 90 days from formation of the entity.

Under the CTA, willful failure to complete or update an entity’s BOI Reports or providing false or fraudulent information can result

in civil or criminal penalties. Civil penalties include monetary fines of up to $500 for each day that the violation continues, while criminal penalties include imprisonment for up to two years and/or a fine of $10,000.

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